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# Will algorithmic playlist curation be the end of music stardom?

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It is 2015 and there are no indications that the relentless digital transformation of the music economy is about to slow down. Rather, the music economy continues to rapidly reinvent itself and industry powers, positions and practices that were redefined only a few years ago are being questioned once again. This paper examines the most recent changes of the music economy as it moves from a product-based towards an access-based logic. The paper starts out by recognising the essential role of technology in the evolution of the music economy. It then moves on to a discussion about the rise of so-called access-based music business models and points out some of the controversies and debates that are associated with these models and online services. With this as a background the paper explores how access-based music services and the algorithmically curated playlists developed by these services transform the relationship between artists, music and fans and challenges the music industrial power relationships and established industry practices once again.

## The technology-driven music economy

The business as well as the musical evolution of the music economy is heavily shaped by technological change. Recording technologies such as multi-track recording and non-linear editing; distribution technologies such as the music cassette and the Compact Disc; promotional media such as broadcast radio or video-sharing websites; performance technologies such as the electrical microphone, the amplifier or the sequencer and a whole range of other music technology innovations have shaped the sounds, aesthetics, and music business models during the past century and continue to shape the economy into this century. Many of these innovations have been truly disruptive in the sense that they have ruthlessly made existing practices and competences obsolete. Artists, composers, and businesses that relied on the superseded technology have been forced out of business while new artists, sounds, genres and business practices, able to benefit from the new innovations, have taken their place.

During the past two decades, there has been ample opportunity to observe the processes of creative destruction in the music economy. More or less all aspects of the music industrial value chain have been affected, but primarily the technologies for music promotion and distribution have been at the centre stage of digital disruption. Accounts of this process usually take 1999 as its point of departure. 1999, was the year when the global recorded music industry had experienced two decades of continuous growth, largely driven by the rapid transition from analogue vinyl records to digital Compact Discs. The transition encouraged avid music listeners to purchase much of their music collections all over again in order to listen to their favourite music with "digital sound". As a consequence of this successful product innovation, recorded music unit sales more than doubled between early 1980s and end of the 1990s. It was with this backdrop that Napster, the first peer-to-peer filesharing service was developed and released to the mainstream music market.

Napster was an illegal filesharing service, and together with a range of similar services that followed in its path, it reduced physical unit sales in the music industry to levels that had not been seen since the 1970s. The recorded music industry struggled during much of the 2000s with how to cope with the overwhelming online piracy. The legal and technical attempts to thwart these illegal practices eventually proved to be unsuccessful and the impact on the music economy were transformative, irreversible, and to many music industry professionals, also devastating. Thousands of people lost their livelihood, large and small music companies folded or were forced into mergers or acquisitions.

## The rise of access-based music services

Slowly the realisation dawned that online piracy could not be stamped out and in order for the industry to survive, new business models had to be developed that were able to *compete* with piracy. These business models had to offer music in a format that made it appear like it was free to the consumer but somehow nevertheless were able to generate revenues to creators and rights holders.

After a lengthy period of entrepreneurial business model experiments, the surviving model was a radical shift from established practices. It required the industry to abandon the fundamental music industrial logic where music was packaged as products and sold at a strictly regulated unit price in favour of a new model where music was sold as a service for a monthly fee.

These so-called access-based music services offer a music subscription service that does not charge their consumers for downloading individual songs or albums. Rather, for a monthly subscription fee, these services offer unlimited access to a large music library which the subscribers have access to, only as long as they pay a monthly fee[1]. The market has quickly accepted access-based music services. The model has captured more than 80 % of a number of recorded music markets in Europe and Asia and it is about to take over permanent downloads as the dominating business model in the global economy for recorded music.

[1] Some access-based services also offer an advertising funded free version of their service which allows users access to the music library but with limited functionality.

## A controversial shift

The transformation from a product-based to an access-based music economy has not been entirely uncontroversial. During the early days of access-based music services, there was wide-ranging scepticism in the music industry about the fundamental viability of the model. As time moved on however, and the revenues as well as the number of service providers on the market continued to increase, these sceptics slowly but surely accepted the viability of the new business model. However, a number of questions related to these services remain unresolved. The most urgent one concerns the fairness and transparency of the repatriation of revenues generated by access-based music services from consumers, via aggregators and record labels, to composers and musicians. The access-based service providers report billions of dollars in royalty payouts to record labels and other rights holders but at the same time, there are anecdotal evidence from musicians and composers of seemingly very popular songs that indicate that the revenues from these services are not appropriately shared with musicians, artists and composers. These are legitimate grievances raised by the artists, musicians and composers that have to be resolved in order for record labels and other digital music aggregators to hold on to some level of legitimacy in the new music economy.

## The role of brands in the music economy

While the question of fair and transparent repatriation of royalties from access-based music services is indeed a major concern, this paper focuses on a question that is not yet as heavily discussed but which may have an even more radical impact on the functioning of the emergent music economy. A useful starting point for this discussion is the role of brands in the music economy.

Music brands in a product-based music industry logic are primarily associated with an artist (e.g. Taylor Swift) or a band (e.g. One Direction), who during a period of time builds significant value into the brands that are associated with their craft and practice. To be fair, there are other types of brands in the recorded music economy, for instance, compilation albums (e.g. Now That’s What I Call Music) and record label imprints (e.g. Ministry of Sound), but the overwhelming number of brands are nevertheless associated with an individual artist or band. Such music brands often serve as platforms for long, loyal and profitable relationships between fans and artists. The brands are also increasingly used to organise equally profitable relationships with other brands via multimillion sponsorships and endorsements (e.g. Taylor Swift endorsing Diet Coke or One Direction endorsing Pepsi). The investment in and development of such brands are normally considered as a music company’s most essential activity and the one that constitutes a considerable, if not the largest, part of the company’s cost base.

Music is an experience good, meaning that it is difficult to estimate the value of a music product before it has been listened to. In a product-based music economy, a recognisable music brand is one of a number of mechanisms (expert and user reviews are other such mechanisms) that assist consumers in their purchasing decisions and reduce the risk that consumers' spend their limited music budgets on music that do not match their musical preferences.

While music brands are necessary filtering mechanisms for consumers in a product-based music economy; consumers in an access-based music economy make their music listening decisions in a very different way. Rather than carefully selecting a number of products to add to a limited but slowly expanding music collection, consumers pay a monthly fee to get access to a very large music library. As the market for access-based music services continues to evolve, competing services strive to expand their libraries to include an increasing number of songs and ultimately to make them as comprehensive as possible. Today, there are still minute differences between the libraries offered by competing access-based music services, but looking into a not too distant future it is clear that the service providers' libraries will become increasingly comprehensive and increasingly indistinguishable. The services will no longer be able to use their music libraries as a point of differentiation.

## Algorithmically curated musical experiences

To some extent the market has already reached this state, as service providers more or less have ceased promoting the size of their libraries. The point of differentiation has rather moved on to the services' "contextual features" that assist users in navigating the enormous music libraries and making decisions about what song to listen to next. The access-based music service providers' development of such contextual features is still in its infancy, and at this stage, a seemingly trivial but still fundamental structure in this differentiation strategy is the curated playlist. A basic playlists consist of a set of songs curated by either a human or an algorithm, focused on a specific theme, mood, or activity. Some playlists may be fairly static and consist of songs appropriate for a dinner party or for focused studying. Other more dynamic playlists are algorithmically curated based on an analysis of data from sensors in users' mobile devices, the users' previous music listening behaviour, users' relationships with other humans via social media, and acoustic characteristics of the millions of songs available in the service's music library. This analysis make it possible to curate a personalised musical experience that gives the user the "right music for every moment", to quote the leading access-based music service Spotify. Most access-based music services invest heavily in playlist curation capabilities and there is high demand for music data analytics expertise, which also is reflected in an intense acquisition frenzy led by service providers with available capital. For instance, Spotify acquired the music data analytics company The Echo Nest in 2014; the internet radio provider Pandora acquired another music data analytics company called Next Big Sound in 2015; and a few months later the world's largest company Apple acquired the UK-based music data analytics company MusicMetric.

It is vital to realise that this kind of algorithmic playlist curation reduces the music listener's cognitive load by essentially removing the need to develop relationships with the creators of the songs that match their musical preferences. The algorithms efficiently supplant the function of the artist-based brands that were necessary components in the now fading product-based music economy. In the access-based music economy, there is no need for consumers to remember or recognise artist-based brands in order to get a satisfying musical experience. The only relationship the music listeners need to manage is the one with their access-based music service provider.

If we follow this reasoning to its logical conclusion, it leads to a condition where artists are no longer a cultural phenomena with loyal fans and strong brand recognition. Rather, they are anonymous producers of sound components that are ready to be combined by automatic algorithms into a comprehensive musical experience personalised to individual users' preference, mood or activity. This change constitutes a significant redistribution of power, from the artists and the music companies that previously controlled the relationship with the music listeners, to the access-based music service providers and the algorithmic curators of ever-evolving individualised playlists.

## Consequences for established music industrial structures

While it is unlikely that the hypothetical condition laid out above will ever be completely attained, it is nevertheless very likely that a gradual shift towards an access-based music economy significantly reduces the value and significance of artist-based music brands. As the brands' roles as repositories of economic value and signposts for consumers' music listening decisions diminish, the role and purpose of the music company, and primarily the record label, need to be redefined once again.

The music industry is traditionally structured into three major sectors. Two of these sectors are consumer oriented and focus on live music and recorded music respectively. The third sector is focused on the licensing of musical rights to various purposes, for instance to use a song as a component in an audio-visual production for film or television or to play music in a public venue. Organisations in the recorded music sector have already been forced to radically redefine their roles during the ongoing digital transformation of the music economy. Digital technologies for music recording as well as for music distribution have led many organisations in this sector to abandon their operations for physical music distribution as well as their facilities for high-quality studio recording. The value creating activities that up until this point have sustained and even increased its significance are the record labels' marketing and brand building activities. The reason behind the heightened significance of marketing in the recorded music economy is relatively well established: Digital technologies have lowered the entry barriers to the recorded music industry, which has dramatically increased the number of titles released into the market, and increased the marketing resources required to break through the noise.

## Conclusions

The ongoing move from a product-based to an access-based music economy, where algorithms take over the role of music brands and marketing professionals alike, will potentially lead to a radical shift of power from the production and recording of music to the curation of musical experiences. Such a shift would constitute a fundamental challenge to the recorded music company's final bastion. It remains to be seen how far-reaching this impact eventually will be, but one possible future scenario is that the recorded music industry sector in practical terms ceases to exist and is folded into the music licensing industry sector. Such a change would be a natural extension of an already ongoing process where a plethora of new media outlets have multiplied the revenues from music licensing and moved the music licensing sector closer to the music industrial epicentre. The one thing that is certain is that technological development will continue to shape the evolution of the music economy and the music industry of the future will be very different than the music industry of today.